

Energizing Organizational Learning and Organizational Performance: Human Capital Theory Perspective

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Abstract

This paper examines how energizing the organizational learning process improves embroidery SMEs' performance in Indonesia. Quantitative research was conducted to test the suggested model's relationships. We use covariance-based SEM to analyze the relationship between variables. To achieve the objectives of this study, a survey method was used for 205 SMEs consisting of owners, managers, and managers from a population of 280 embroidery SMEs in Tasikmalaya Regency and City, West Java. This study proposes a conceptual paradigm to energize organizational learning processes to improve the performance of embroidery SMEs in a dynamic environment.

The findings show that the energizing organizational learning process positively affects embroidery business performance. The authors also discovered that an energizing corporate learning process moderates the relation between transformative leadership and organizational performance. This research only uses one type of leadership. It is possible to use several other types of leadership to be tested in an empirical model. Additionally, more sample variety should be considered in terms of cross-cultural comparative studies. This study addresses gaps in the literature and practice of transformational leadership, examining the interaction between energizing organizational learning processes and the efficacy of SME teamwork.

Keywords: Human capital theory, Energizing the Organizational Learning, Transformational Leadership, embroidery, SMEs.

Introduction

Globalization, the rise of the worldwide economy, the rapid rate of technology, and the dynamics of innovation have led to a strategic view that organizations need to undertake internal transformation processes (Skare and Soriano, 2021) to improve organizational competitiveness and performance. Micro, small, and medium-sized enterprises (MSMEs) are crucial in enhancing economic growth in developing nations by creating new jobs, stimulating sustainable innovation, and reducing income inequality. According to Boukamcha (2019), MSMEs are essential for promoting economic, political, financial, and social growth and lowering poverty levels in emerging countries.

Transformational leadership is one of the most critical success elements in boosting organizational performance (Alrowwad et al., 2020; Alrowwad et al., 2016; Khan et al., 2018). Further, Koffman and Senge (1993) argue that transformational leadership can affect organizational performance by creating a competitive advantage through innovation and knowledge stimulation. According to transformational leaders, employee visions and objectives should align with their companies' ideas and goals, fostering intrinsic motivation among employees and encouraging them to participate in creative work procedures. A transformational leader, in particular, creates a mutually beneficial interaction between employees and leaders when creating a strategic policy (Lyubykh et al., 2022).

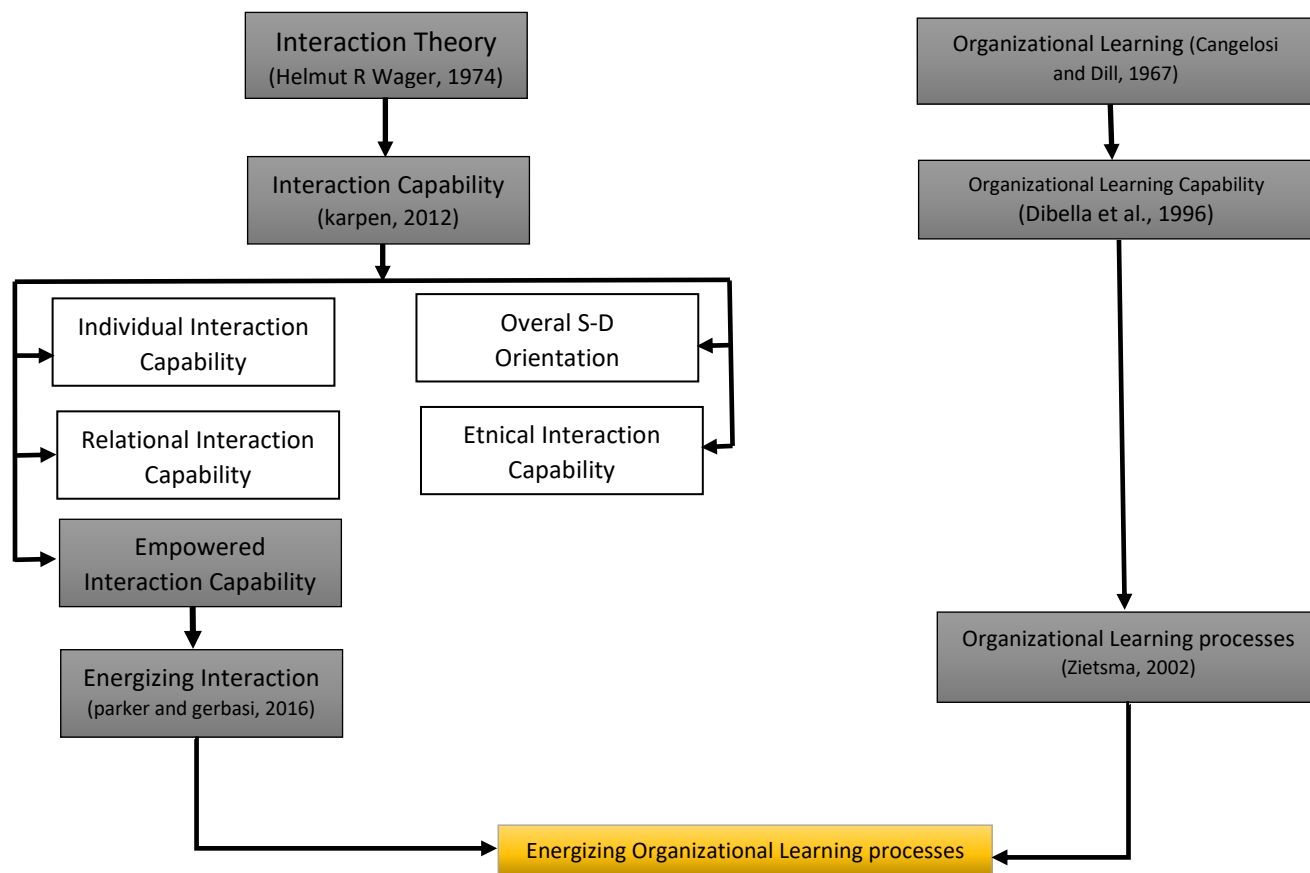
According to Alrowwad et al. (2020), transformational leadership motivates followers to create change and think innovatively. Because MSMEs have more superficial oversight and bureaucracy, it quickly sets goals and introduces new ways to facilitate innovative action. However, prior research on the effect of transformational leadership on organizational performance yielded insignificant results (Alsayyed et al., 2020; Akdere and Egan, 2020). This inconsistent finding is interesting to be studied further by raising the research problem of what processes should be developed to facilitate transformational leadership to improve organizational performance. This study aims to solve this gap by adopting the human capital theory. The human capital theory assumes that humans are physical assets or capital goods such as machinery and equipment. Human capital is the complete quantity of expertise, capabilities, knowledge, abilities, and creativity. Further, Gruzina et al. (2021) described human capital as a combination of job properties (i.e., knowledge, expertise, abilities, and skills) and savvy employees (intellectual and intelligence).

This definition has attracted the interest of researchers to propose the concept of energizing the organizational learning process (EOLp) in mediating the role of transformational leadership to improve organizational performance. Therefore, a conceptual model was developed to bridge the research gap of transformational leadership, dynamic capability, energizing organization learning process (EOLp), and organizational performance. On a practical level, the results of the 2018 survey report that two main obstacles to the growth of MSMEs

in Indonesia are finance and marketing aspects (Asia Pacific Foundation of Canada, 2018). Hindasah (2020) examines MSMEs in Indonesia as the main driver of economic growth through organizational learning. This conclusion is in line with research conducted by Chuan-Peng et al. (2017) that organizational learning and knowledge management innovation effectively affect MSMEs' technological capabilities. This study selected embroidery SMEs in Indonesia by testing this research model to improve organizational performance through energizing organizational learning processes,

Energizing the organizational learning process is generated from an inconsistency of research findings between transformational leadership and organizational performance with organizational learning as mediation in various research contexts. The purpose of initiating novelty obtained from interaction theory and organizational learning as the parent

theory is to build intellectual strength as a result of the systematic acquisition of knowledge by organizations. so that it becomes the basis for organizations to develop their innovations with the following considerations: First, intellectual strength is a unity of interaction that encourages each other to produce innovations to find breakthroughs to increase competitiveness, therefore, this can be a driving force to improve work innovative (Wulandari et al., 2018). Second, in the concept of organizational learning, if the learning process is carried out precisely, it can encourage innovation so that they can work better than before (Gama et al., 2019, Björk et al., 2010). Third, EOLp has always been an actualization process that provides space to create various innovations in business (Koroglu & Ozmen, 2021; Lau et al., 2019; Björk et al., 2010). Figure 2.1 presents the synthesis and proposition to explain the novel idea in this study further:



Gambar 2.1: Sintesa Konsep Energizing Organizational Learning processes

Interaction theory is an approach used in social knowledge building. This grand theory is derived from sociology through the concept of group communication. Interaction theory is inconsistent with two other methods of social cognition (called the theory of thinking (TT) and simulation theory (ST)). TT and ST are a way to understand other people by using mindreading or mentalizing, which is a process that relies on theoretical conclusions from both a psychological and simulation perspective. In contrast, the interaction theory of mind is understood primarily through interactive relationships. This theory drew on interdisciplinary studies and evolved in developmental psychology.

Empowered interaction capability is exceptional talent leaders need to handle complex situations and requires intellectual cognition (Karpen et al., 2017). The process of organizational empowerment involves partners forming profitable and actualized experiences. Karpen's research suggests design principles that conceptually link customer experience by building mutually beneficial organizational capabilities between individual abilities (Karpen et al., 2017). This interaction can be developed in the context of knowledge sharing to encourage innovations. Organizations need a competitive advantage to improve performance (Wuryaningrat, 2013).

Theoretical foundation and hypothesis development

Human Capital Theory

The human capital theory is a thought which assumes that humans are a form of capital or capital goods like other capital goods, such as land, buildings, and machinery. Human capital can be defined as the total amount of knowledge, skills, and intelligence of the people of a country. This theory is conceptualized with three developments; first: an individual aspect of human capital is the ability, knowledge, and skills that exist in humans. Second: human capital as knowledge and skills can be obtained through various educational activities such as schools, courses, and training; third: human capital is the primary source of economic productivity and investment in humans to increase their productivity. In the knowledge-based economy, a company's investment in human resources is seen as a priceless asset. According to this perspective, investing in human capital will give an organization a competitive edge and ensure its sustainability in a complicated business context.

Transformational Leadership and Organizational Performance

Transformational leadership has risen to prominence in the leadership concept over the previous two decades (Bass, 1985). Transformational leadership is a leader's capacity to inspire positive changes and encourage employees to perform beyond their expectations.

According to Fareed and Su (2022), transformational leaders can motivate followers to mobilize and explore their capabilities proactively to achieve organizational goals. The distinction between transformational and transactional leadership models and their impact on organizational success has piqued scholars' interest (Parashakti et al., 2018; Kark et al., 2018). Thus, according to Colovic (2022), leadership is the most critical factor impacting competitive advantage in small enterprises. The transformational leadership style encourages individuals to have a far-sighted vision and mission through innovative behavior, ultimately improving individual and organizational performance (Waruwu et al., 2020). Further, Aboshaiqah's (2016) research on Saudi Arabian hospitals discovered a significant link between transformative leadership and staff performance. Han et al. (2020) found that transformative leadership significantly impacts employee performance in China.

Energizing Organizational Learning Process

The premise of organizational learning is that if it is completed in groups, it is almost inevitable that the learning will be geared toward small groups in a higher-level organization. Further, organizational learning can be attained by implementing the following strategies: 1) Learning interactions (Li and Jeong, 2020); 2) Sharing interactions (Zhao and Detlor, 2021).); 3) Mutual interactions between group members (Nale Lehmann-Willenbrock, 2016).

According to the theory of source-based capacity, organizational learning acts as a basis for building unique competencies (Buhagiar and Anand, 2021). Additionally, according to Iqbal and Ahmad (2021), knowledge, skill, and attitude are obtained through organizational learning, which

can provide a strength to work more efficiently,

Organizational learning can produce knowledge so that the organizational learning process is a company-specific process such as 1) Produces a learning process that is more focused on company development; 2) Obtaining recognition from outside parties; 3) The learning process is the foundation for the company's growth.

The essence of organizational learning is learning-oriented towards organizational goals; interaction in a group cannot run without encouragement because the strength is learning together. The idea of an energizing organizational learning concept that can become a bridge in an enabling process is an essential consideration with an energizing organizational character, such as the knowledge skill attitude that is unique to the company to enlarge its environment. These considerations consist of 1) Energizing organizational learning is a learning process in leadership so that the ability to work together is vital in a learning process; 2) Energizing organizational learning at the lowest level is directed at creating a process for individuals to develop the company; 3) Because individual enabling that is done in energizing organizational learning is typical of the company, the interaction in a group is directed at the learning process that is unique to the company (Brix, 2019).

Organizational learning is a tool for improving the performance of a company. Energizing the organizational learning process plays a vital role in an organization because it always exists in a structure primarily determined by its leader's characteristics. A transformational leader is a leader who can provide space according to the characteristics of a transformational leader. Therefore, energizing the organizational learning process will be very important in encouraging a learning process that leads to innovation (Patky, 2020). Organizational learning cannot mean anything if it is not associated with organizational performance. Barišić et al. (2019) revealed that the effectiveness of human resources largely determines organizational performance. Therefore, it is logical to energize organizational learning by creating adequate human resources because it is a strategic instrument to improve performance.

Effect of Transformational Leadership and Energizing Organizational Learning process

Transformational leadership is a charismatic leadership style critical to attaining the organization's objectives. Davis (2021) defines transformational leadership as a leadership style in which one or more people are involved with others to motivate their subordinates to have higher mortality. This leadership style occurs when a leader gives trust to associates to improve their performance. In its development, organizations will continue to learn to achieve their goals; Senge (1990) calls it organizational learning, a type of activity where an organization learns. Brix (2019) et al. define organizational learning as a never-ending process to develop their capacity, have a broad mindset, and learn endlessly to see things together, built on experience so that if there is a change outside the organization, existing human resources can adapt quickly.

Based on these characteristics, the learning process of an energized organization will be determined mainly by the factors of its leader. Transformational leadership is a leader who has the power to change. Further Transformational leaders will give flexibility to employees to improve their performance by providing motivation, having the drive to think outside the box,

and looking for breakthroughs for organizational development. The ability of transformational leaders to inspire their followers to keep learning can drive organizations to produce, exploit, update, and use the information to develop the necessary competencies for an energetic organizational learning process (Buhagiar and Anand, 2021). Transformational leaders can encourage innovation by encouraging learning. The following is the proposed hypothesis based on this description:

H1: Transformational Leadership has a positive impact on energizing the organizational learning process.

Effect of Energizing Organizational Learning Process and Organizational Performance

Organizational learning is a multidimensional procedure involving acquiring new abilities and modifying behavior (Migdadi, 2019; Altina et al., 2016). This process changes individual and organizational behavior (Murray and Donegan, 2003). The purpose of energized organizational learning is to form organizational routines inherent in organizational life, including initiating learning processes, involvement of members to interact actively and building a voluntary concept to exchange knowledge in a positive manner oriented towards improving organizational performance.

Kerlavaj et al. (2016) research emphasize testing organizational performance improvement models seen from their influence on an organizational learning culture. According to his findings, increasing organizational learning can enhance performance. Therefore, organizations must emphasize the importance of a learning culture and interpret it in the context of increasing knowledge. According to Chanani and Wibowo (2019), companies with a strong learning culture produce, acquire, and communicate knowledge and alter behavior to reflect new knowledge and insights. Based on this description, the hypotheses proposed in this study are as follows:

H 2: Energizing organizational learning will be positively related to Organizational Performance

Transformational Leadership and Dynamic Capability

According to Alqatawenah (2018), transformational leadership is defined by a leader's ability to affect positive change by expressing a motivating vision and energizing goals that improve staff performance. This sort of leadership can motivate and transform employees to better their performance.

Bass (1985) argues that transformational leadership is a leadership style that builds a shared vision to inspire followers and fulfill organizational goals. Leaders with transformational characteristics will foster loyalty and confidence among followers and motivate subordinates to carry out activities in creative ways. Transformational leaders are often good communicators who try to engage individual self-concepts in the organization's best interests (Mouazen dan Hernández-Lara, 2022). Leaders who exhibit transformational behavior promote creativity by providing a psychologically safe environment in which new ideas are valued.

Transformational leaders can support and inspire the actions required for dynamic talents. The term dynamic refers to an ability to deal with ever-changing environments. When technological change is rapid and predicting future competition

conditions is challenging, adaptive responses are required.

Meanwhile, according to Teece (2018), the term capability highlights the "critical management rules that prioritize the ability to compete and adapt uniquely to achieve the expected goals and appropriately reconfigure the organization's internal and external skills, resources, and functional competencies to adapt to changing environmental requirements."

Teece (2018) was the first to introduce the concept of dynamic capacities, which states that RBV (Resources Based View) cannot explain how a company successfully demonstrates responsive, fast, and flexible product innovation by redistributing internal and external competencies. Constraints of RBV Theory can be resolved with clear perspectives of dynamic capabilities. The dynamic capabilities approach emphasizes exploiting internal and external competencies to respond to a changing environment. This capability enables the company to achieve still and sustain a competitive advantage when the business environment changes.

Due to fast changes in the environment and organizational needs, the notion of dynamic capacities has evolved. Hence, the company should identify opportunities, make investments to capture those possibilities, rearrange the resource base, and adapt to changes in a dynamic environment (Schoemaker, 2018). According to Sabahi and Parast (2020), these dynamic capabilities are critical to long-term competitive advantage.

Leaders can drive employees beyond personal interests through transformational leadership. According to Duan et al. (2017), transformational leadership accentuates the prominence of the leader-follower relationship. When an organization faces a volatile and changing market, having an insufficient supply of resources and procedures is inadequate to maintain a competitive advantage (Yasin et al., 2014). Transformational leadership will encourage all subordinates to face every challenge by building motivation and inspiring employees to achieve organizational goals

The research results by Nyachanchu et al. (2017) using sensing and seizing capability indicators show that transformational leadership is significantly related to dynamic capabilities that ultimately affect company performance. The following is the proposed hypothesis based on this description:

H 3: The better the transformational leadership, the better the dynamic ability.

The Effect of Dynamic Capability on Energizing Organizational Learning Process

The company's dynamic capabilities are path-dependent and integrated (Laaksonen and Peltoniemi, 2018). As a result, observing it is tough, and replicating it for other businesses is even more challenging. According to Stehn et al. (2020), dynamic capabilities enable organizations to actively observe the environment and use information effectively for internal improvement to affect organizational performance.

Teece (2007) divided DCs into three dimensions or capabilities: "(1) Sense, and shape threats and opportunities (Sense), (2) seize opportunities (Seize), and (3) manage threats and reconfiguration (MTR)". Sensing is the first step in developing dynamic capabilities, and it comprises sensitive firms assessing their surroundings to identify new potential markets. To do so, corporations must continually analyze the

impact of environmental changes on consumer demands and audit their product portfolios to meet customer expectations. Seizing is the second step; companies must be able to make the necessary investments to modify their present habits. As a result, to manage new product releases, businesses must have systems in place for determining change-oriented decisions. Finally, reconfigurability necessitates efficiency in implementing modifications that drive new product development, allowing all existing processes to connect with new ones seamlessly—the greater the company's dynamic ability, the better the organizational learning process. Companies are becoming exposed to changes in the outside world, necessitating acquiring skills to stay up with these changes.

Organizational learning is an organization's ability to assimilate information and change its behavior to reflect new cognitive habits. (Evenseth et al. 2022). Because learning is required to uncover new skills and gain a competitive advantage, organizational learning procedures must be continually adjusted and developed. According to Rockwell (2019), sustainable competitive advantage is obtained when resources are scarce, difficult to imitate, and not substituted.

The ability to transfer information to all business members through organizational learning is one of the talents that might fulfill the requirements listed above. Employees with a high level of knowledge provide a competitive advantage by assisting organizations in achieving superior results. Some academics relate learning as a component of creative efficiency to the efficiency of sustained competitive learning. (Ali,2021).

Gomez et al. (2005) stated that organizations encourage employees of all levels to foster learning and help employees develop their skills. Further, Chanani and Wibowo (2019) claimed that assessing practical organizational learning skills should include five dimensions: risk-taking, participative decision, engagement with the external environment, and collaborative action. Gomez et al. (2005) also proposed four criteria for assessing organizational learning ability: commitment, management system, and culture. Researchers generally believe open and honest communication is critical to enhancing organizational learning capacities. Additionally, personal and social ties among organizational members are required (Theresa et al., 2013). Finally, Teece (2007) argued that qualities such as engagement, a systems perspective, and participatory decision-making are critical for innovativeness and creating new goods. Based on this description, the proposed hypothesis is as follows:

H 4: The more dynamic capabilities increase, the better the energized organizational learning process will be.

Research Method

Sample and data collection.

The method used in this study is a research survey. The research location was determined with the three

considerations. First, the Embroidery Industry MSME Sector is one of the leading MSMEs in eastern Priangan. Second, the embroidery industry MSMEs are MSMEs that have been computerized and use technology in their work, and the third MSME embroidery has a team of work teams that work on group work. The sample size was proportional and reflective of the pertinent information gathered during data collection. The need for an appropriate sample size (for instance, 5–20 respondents per parameter estimate) could impact the adoption of SEM (Hair,2010). Due to the 14 variables utilized in CFA and SEM, a minimum sample size of 70 participants was needed for this investigation. A total of 205 MSME owners were selected and have met the data adequacy requirements. The data used in primary data consists of transformational leadership, energizing organizational learning, teamwork efficacy, and organizational performance. We collected the sample from February to August 2020. The data were investigated using AMOS SEM software to test the empirical model.

Research Instruments

Most variables were drawn from prior studies and assessed using multiple-item questionnaires. For consistency in measuring the variables, a seven-point Likert-type scale was utilized. All items are graded on a five-point Likert scale that ranges from strongly disagree to agree strongly.

Transformational leadership. This research employed a measurement extracted from Avolio and Bass (1995). This variable examines leaders that inspire followers to work toward more significant aims than self-interest. This research introduces a novel construct of energizing the organizational learning process as a variable that analyzes an organizational habit inherent in organizational life, including initiating learning processes oriented towards organizational goals, actively involving members, and building volunteerism for positive knowledge exchange. We designed a six-item scale (1 "Strongly disagree" 7 "Strongly agree"). Dynamic capability is defined as a variable that analyzes the ability of organizations to create, reshape, and assimilate knowledge and skills to remain strong in a competitive environment that is constantly changing rapidly so that they can change their ability to cope with a dynamic environment. Kast and Rosenweig (1972) presented 4-variables to measure organizational performance (Kast and Rosenweig, 1972). Recent research has compared performance to significant competitors (Garca-Morales et al., 2012) and has used subjective data on performance when correlated with objective data, as in our study (Martn-Rojas et al., 2011). Size: Companies are classified by the number of people employed: SMEs (small and medium enterprises, < 250 employees). The sector is analyzed based on transformational leadership in the embroidery industry sector.

The results of feasibility CFA test models of transformational leadership, energizing organizational learning process, dynamic capability, and organizational performance can be seen in table 1.

GENERAL MANAGEMENT

The Goodness of Fit Indeks	Cut-off Value	Result				Conclusion
		Transformational Leadership	Energizing Organizational Learning process	Dynamic Capability	Organizational Performance	
Chi-Square	Expected small	3.799	1.672	2.248	2.760	Fit
Significance Probability	≥ 0.05	0.150	0.196	0.134	0.252	Fit
RMSEA	≤ 0.08	0.066	0.057	0.078	0.043	Fit
GFI	≥ 0.90	0.991	0.995	0.993	0.993	Fit
AGFI	≥ 0.90	0.955	0.968	0.956	0.965	Fit
TLI	≥ 0.90	0.991	0.995	0.993	0.996	Fit
CFI	≥ 0.95	0.997	0.998	0.998	0.999	Fit
NFI	≥ 0.90	0.994	0.996	0.996	0.994	Fit

Table 1: The CFA test models results

Table 1 shows that all tested models offer good validity and reliability.

The transformational leadership has reported (χ^2 : 3,799 p:

0.150; RMSEA: 0.066 GFI: 0.991 AGFI: 0.955 CFI: 0.997 TLI: 0.991 NFI: 0.994) to validate the scale and its one-dimensional verification, indicating high validity and reliability.

Criteria	Cut-off value	Result	Description
Chi-square	Expected small	3.799	Fit
RMSEA	< 0,09	0.006	Fit
GFI	> 0.90	0.991	Fit
AGFI	> 0,95	0.955	Fit
CFI	> 0,90	0.997	Fit
TLI	> 0,95	0.991	Fit
NFI	> 0,90	0.994	Fit

Table 2. The Goodness of Fit Criteria

This research introduces a novel construct of energizing the organizational learning process as a variable that analyzes an organizational habit inherent in organizational life, including initiating learning processes oriented towards organizational goals, actively involving members, and building volunteerism

for positive knowledge exchange. We designed a six-item scale (1 "Strongly disagree" 7 "Strongly agree"). CFA was used to validate the (χ^2 : 1.672 Probability: 0.196; RMSEA: 0.057 GFI: 0.995 AGFI: 0.968 CFI: 0.998 TLI: 0.995 NFI: 0.996) and demonstrates one dimension, validity, and reliability.

Criteria	Cut-off value	Result	Description
Chi-square	Expected small	1.672	Fit
RMSEA	< 0,09	0.057	Fit
GFI	> 0.90	0.995	Fit
AGFI	> 0,95	0.968	Fit
CFI	> 0,90	0.998	Fit
TLI	> 0,95	0.995	Fit
NFI	> 0,90	0.996	Fit

Table 3. The Goodness of Fit Criteria

Dynamic capability is defined as a variable that analyzes the ability of organizations to create, reshape, and assimilate knowledge and skills to remain strong in a competitive environment that is always changing rapidly so that they can

change their ability to cope with a dynamic environment. CFA validates (χ^2 : 2.248 Probability: 0.134; RMSEA: 0.078 GFI: 0.993 AGFI: 0.956 CFI: 0.998 TLI: 0.993 NFI: 0.996) indicates one-dimensional and high and reliable validity.

GENERAL MANAGEMENT

Criteria	Cut-off value	Result	Description
Chi-square	Expected small	2.248	Fit
RMSEA	< 0,09	0.078	Fit
GFI	> 0.90	0.993	Fit
AGFI	> 0,95	0.956	Fit
CFI	> 0,90	0.998	Fit
TLI	> 0,95	0.993	Fit
NFI	> 0,90	0.996	Fit

Table 4. The Goodness of Fit Criteria

Kast and Rosenweig (1972) presented 4-variables to measure organizational performance (Kast and Rosenweig, 1972). Recent research has compared performance to significant competitors (Garca-Morales et al., 2012) and has used subjective data on performance when correlated with objective data, as in our study (Martn-Rojas et al., 2011). CFA validates (χ^2 : 2,760; p: 0.252; RMSEA: 0.043; GFI: 0.993;

AGFI: 0.965; CFI: 0.999; TLI: 0.996; NFI: 0.994) demonstrating one-dimensional and high reliability. Size: Companies are classified by the number of people employed: SMEs (small and medium enterprises, < 250 employees). The sector is analyzed based on transformational leadership in the embroidery industry sector.

Criteria	Cut-off value	Result	Description
Chi-square	Expected small	2.760	Fit
RMSEA	< 0,09	0.043	Fit
GFI	> 0.90	0.993	Fit
AGFI	> 0,95	0.965	Fit
CFI	> 0,90	0.999	Fit
TLI	> 0,95	0.996	Fit
NFI	> 0,90	0.994	Fit

Table 5. Measurement validity and reliability

Data Analysis and Research Findings

Data Analysis

To determine the measurement and structural model linkages, the amplitude of the regression, and the Goodness of model fit, the data were analyzed using Covariance Based SEM with AMOS 22.0 (Arbuckle, 2016). The Sobel test was used to determine if the factors had a mediating impact (Hayes, 2013). Additionally, Table I shows the construct reliability and average variance extracted analysis for each dimension.

Based on the construct indicator's loading factor, each variable has a cut-off value of 0.50, indicating that the loading factor's size appropriately represents the generated variable. Hair (2010) proposes two criteria for determining reliability: each measuring scale's estimates should equal or surpass

0.60, and the average variance extracted should equal or exceed 0.50. Further, The intraclass correlation coefficient (ICC) is a descriptive statistic for assessing units organized into groups. The ICC score is derived using the team's predicted reliability scores and the number of respondents who can guarantee that the respondent's data matches the average value given (Liljequist, 2019). The cut-off value for the intraclass correlation coefficient is 0.70 (Koo and Li, 2016). The following values were reported: Transformational leadership (0.853); dynamic Capability (0.789); energizing organizational learning process (0.868), and organizational performance (0.844). All variables are above the cut-off value of 0.70, which is above the cut-off value. In other words, the individual average score is the same as the average group score as presented in table 1; measurements of construct variables, convergent validity, construct reliability, and correlation coefficients between constructs exceeded the recommended cut-off criterion of 0.50, respectively.

GENERAL MANAGEMENT

Variables & Indicators	Source	Std. esti mate	Convergent Validity- AVE	Construct reliability	ICC.
Exogenous Variables:					
Transformational Leadership					
Individualized consideration	Avolio and Bass (1995)	0.826	0.728	0.914	0.853
Intellectual stimulation		0.831			
Inspirational Motivation		0.853			
Idealized Influence		0.900			
Dynamic Capability					
Sensing	David J. Teece, Gary Pisano, and Amy Shuen (1997)	0.937	0.623	0.832	0.789
permission		0.908			
Reconfiguring		0.887			
CFA Endogenous Variables:					
Energizing Organizational Learning process					
Goal-oriented learning process	Yulianeu et al. (2021)	0.879	0.754	0.902	0.868
Updating-oriented interaction		0.861			
Intra-team knowledge exchange		0.865			
Organizational Performance					
Profitability	Chan, Huff, Barclay & Copeland (1997)	0.817	0.713	0.908	0.844
Market Growth		0.891			
Product – service innovation		0.861			
Company Reputation		0.805			

Table 6. Measurement validity and reliability

Hypothesis Testing

Confirmation Factor Analysis (CFA) was used to examine the structural model. The data calculation resulted in a Goodness of Fit test with chi-square statistic size = 101, 148 and a significance level of 0, 016 or > 0, 05, suggesting that the model is acceptable. Further, Structural model also displays a good level of fit index (GFI = 0.936; AGFI: 0.908 CFI: 0.989

TLI: NFI 0986: 0,962; RMSEA = 0.043 (Hair et al., 2010).

As a result, the goodness model fit is achieved. The predicted pathway is based on the regression coefficient (H1 = 0, 53; H2 = 0.85; H3 = 0, 76 and H4 = 0, 38) with a critical ratio or t-value > 2.0 (Hair et al., 2010) indicates that all of the model's hypotheses have been accepted (Table 2).

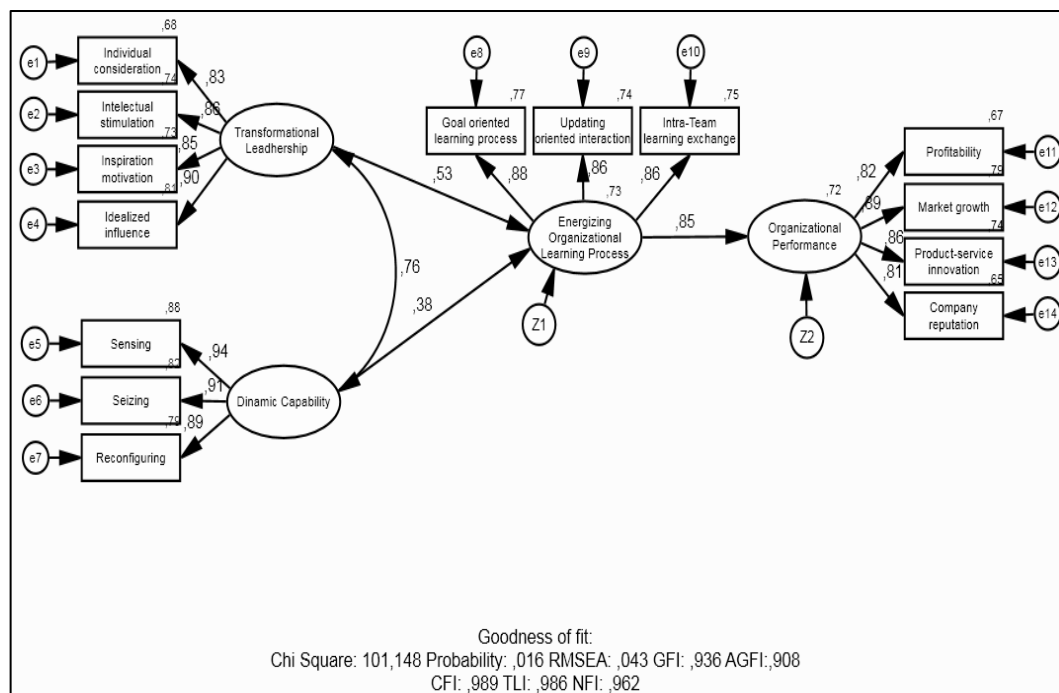


Figure 1. Full structural equation model

GENERAL MANAGEMENT

Hypothesis	Standardized estimate	critical ratio	p-value	Result
H1: TL →·EOL	0.532	6.393	0.000*	Supported
H2: EOL →·OP	0.846	12,015	0.000*	Supported
H3: TL ←·→ DC	0.756	7.557	0.000*	Supported
H4: DC →·EOL	0.380	4.899	0.000*	Supported
H5: EOL mediates TL to OP	Z – Value = 3.925			Supported

Table 7. The result of the regression test
* = significance level of 1%, ** = significance level of 5%

Mediating effect

The indirect effect between transformational leadership and organizational performance mediated by energizing the organizational learning process has a total effect value of 0.985. Meanwhile, the indirect effect between transformational leadership and dynamic capability to organizational performance mediated by energizing the organizational learning process has a total effect value of 0.703. Based on this, the value of the greatest influence is the relationship mediated by the energizing organizational learning process.

Using the Sobel Test, we examined the mediation role of energizing organization learning in the correlation between transformational leadership and organizational performance. The output resulted in the $Z = 3.925$, which is above the cut-off value (>1.96), which shows the mediating effect of the tested variables (Ferdinand, 2014).

Research Contribution and Direction for Future Research

Research Contribution

This study discusses how transformational leadership can improve organizational performance from the human capital theory perspective to create an energizing learning process in an organization. The results of hypothesis testing will be discussed as follows. The results show the importance of transformational leadership in an organization, especially in improving the energizing organizational learning process (EOLp). EOLp can be described as the ability to initiate learning processes toward organizational goals, member involvement, and build volunteerism to exchange knowledge positively. This finding is an operationalization of organizational learning (Cangelosi and Dill 1967) and service-dominant logic (Vargo and Lusch, 2004), leading to the concept of EOLp. Acceptance of the hypothesis about the effect of transformational leadership can increase mutual influence among team members and encourage team members to share knowledge. Several research studies have found organizational learning to improve the association between transformational leadership and organizational performance (GarcaMorales et al., 2008).

Given the magnitude of the regression coefficient, this study adds knowledge to improve organizational performance. Tomal and Jones defined organizational performance as comparing the actual and the planned output. According to Cho and Dansereau (2010), the comparison between the goals and the achievements obtained. Employee interactions that are change-oriented encourage employees to share their knowledge with coworkers. Another impact is that employees

will be encouraged to socialize and understand the need for new knowledge to improve organizational performance. Work or learn from the failure of other units and make learning an effort to enhance organizational performance. This study proves that in the long term, individuals who experience increased activity due to interactions with other people can produce new, more efficient ways of working to improve their performance (Gerbasi et al., 2015).

Several studies have shown that interactions with others in the workplace can add information that positively affects individual performance (Baldwin et al., 1997; Cross & Cummings, 2004; Shah & Jehn, 1993; Sparrowe et al., 2001). On the other hand, interactions that cause reduced activity can lead to limited individual ability to think and act (Fredrickson & Branigan, 2005) and reduce motivation to work (Baumeister et al., 2007), which in turn can reduce individual persistence (Landy & Becker, 1987). Lower activity ultimately leads to lower performance (Gerbasi et al., 2015).

The prominence of the relationship between transformational leadership and dynamic capability is demonstrated in this study. Transformational leadership is significant in creating innovation in the company. Hence, small businesses must build transformative capacities to adjust their operations to market demands and expectations, such as raising environmental consciousness (Zuraik and Kelly et al., 2019). Internal knowledge is encouraged to stimulate new information while transformative abilities optimize existing knowledge. (Kang and Lee, 2017). Additionally, Zahoor and Gerged (2021) argued that internal knowledge integration is crucial for supporting environmental management practices and providing robust environmental performance. Prior studies by Albino et al., 2012 and Dibrell et al., 2011 proved that a core foundation for transformative ability is strong dedication and collaboration within a company's units.

Transformational leaders also encourage the growth of reciprocal attitudes among organizational members. Hence, encourage team members to share knowledge and increase information fluidity. Organizational learning processes and dynamic capabilities require continuous learning throughout the cycle. Fermi'n Malle'n et al. (2014) stated that constant organizational learning ability is the primary key to improving organizational performance. The success of an organization in improving its performance depends on the management culture of continuous learning and innovation to increase company profits. Víctor Jesús García-Morales (2012) states that organizational learning affects organizational performance positively, either directly or indirectly, through organizational innovation, which in the end, organizational innovation affects organizational performance positively.

Future Research

The current research has filled several critical knowledge gaps in transformational leadership and organizational performance. Future research can enrich research topics in leadership with other leadership styles such as servant leadership or participatory leadership to contribute to developing the body of knowledge. Cross-cultural comparison is one characteristic that distinguishes managing a learning organization can generalize the research context in future research.

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